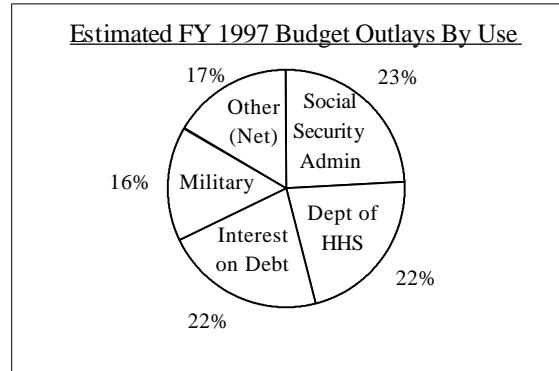
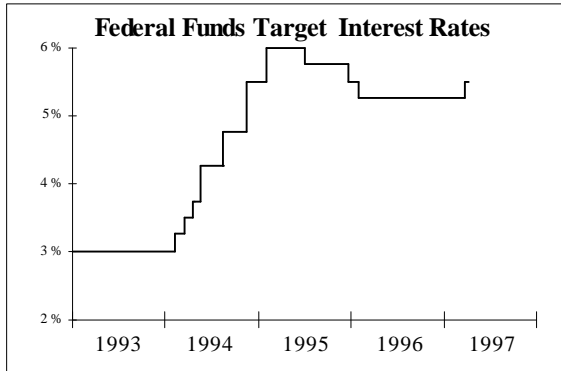


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FEDERAL RESERVE INCREASES SHORT TERM INTEREST RATES TO 5.5%

The Federal Reserve Board increased short-term interest rates from 5.25% to 5.5% on 25 March, the first increase in two years. The Federal Reserve's justification for raising interest rates was to enable the current economic expansion to continue on a non-inflationary path. DRI/McGraw Hill believes that this increase will have almost no negative impact on the economy and that the Federal Reserve will raise short term interest rates to 6% at its 30 September meeting.

MONTHLY BUDGET DEFICIT HITS 9 MONTH HIGH

The Treasury Department reported that the budget deficit in February was \$44 billion, higher than any month since May 1996. For the first 5 months of the fiscal year, the cumulative deficit was \$90 billion, \$9 billion higher than during the same period last year. Based on this data, the Treasury Department estimates that the budget deficit will be \$126 billion this fiscal year, \$19 billion higher than last year, and the first annual increase in the deficit since 1990.

TRADE DEFICIT JUMPS IN JANUARY

The Commerce Department reported that the trade deficit in goods and services increased 21% in January to \$12.9 billion, the largest monthly deficit since 1987. The increase in the deficit was fueled by strong US consumer demand, which led to increased imports, and a strong dollar, which led to reduced exports. The total trade deficit with Japan was slightly higher at \$4.29 billion; while the deficit with China surged 41% to \$3.72 billion. The growth in the deficit with China was affected by an 18% increase in imports and a 28% decline in exports.

RUSSIANS PROTEST UNPAID WAGES AND PENSIONS

Last week in Russia, hundreds of thousands of workers and pensioners participated in demonstrations protesting the non-payment of nearly \$9 billion of salaries and pensions owed by government and private employers. Some payments are more than a year in arrears. The problems are associated with inadequate tax collection and excessive indebtedness of state-owned and newly privatized businesses.

FUEL PRICES (dollars/bbl) AND EXCHANGE RATES (foreign units/US dollars)

	<u>Mar 28</u>	<u>Mar 21</u>		<u>Mar 28</u>	<u>Mar 21</u>
Crude Oil (<i>Foreign</i>)	16.88	17.26	DM (<i>Germany</i>)	1.68	1.69
Crude Oil (<i>Domestic</i>)	20.70	21.68	Yen (<i>Japan</i>)	123.68	123.43
Pound (<i>UK</i>)	0.613	0.628	Peso (<i>Mexico</i>)	7.90	7.93
Ruble (<i>CIS</i>)	5729	5713	Won (<i>S. Korea</i>)	894	885

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